LAKEHOUSE CAPITAL
A Motley Fool Company

LAKEHOUSE GLOBAL GROWTH FUND
MONTHLY LETTER
31 DECEMBER 2018

Dear Lakehouse Investor,

Companies Held:	21
Cash Allocation:	8.5%
Top 5 Portfolio Holdings:	35.4%
Net Asset Value per Unit:	$1.0488
Fund Net Asset Value:	$86.2 million
Benchmark:	MSCI All Country World Index Net Total Returns (AUD)

December was another volatile month for global equity markets. Investors have been spooked by the confluence of rising interest rates, softening economic data, and the ongoing trade war between the US and China. As usual, though, our team continues to take a longer-term, business-focused view that does not get too caught up in the market's machinations. Indeed, as patient investors focused on high-quality growth companies, we welcome bouts of volatility as it creates opportunities to open or increase our stakes in companies we rate highly at even better prices.

Turning to performance, the Fund returned -2.3% net of fees and expenses in December compared to -3.6% for its benchmark. Thus far in fiscal 2019, the Fund has returned a net -3.4% compared to -4.5% for the benchmark. Since inception at the start of December 2017, the Fund has returned 4.7% compared to -0.7% for its benchmark.

We are pleased with the Fund's early progress towards our objective of long-term outperformance, particularly since we were patient in putting the Fund's capital to work and had a cash balance north of 20% for most of its young life. It is still early days, though, and we do not read much into early performance -- and neither should investors who embrace our long-term, high-conviction strategy.

The Fund held 21 positions as of the end of December, the 5 largest of which in order of sizing were **Alphabet, Facebook, PayPal, Visa** and **Atlassian.** Zooming out to sector-level allocations, the Fund's largest allocations as of the end of December were to information technology (31.6%), consumer discretionary (20.7%), and communication services (20.4%). We're larger than the benchmark in all three sectors and expect that will consistently be the case over time as we view these sectors, or at least subsets of them, as having superior economics and long-term tailwinds.

Portfolio Company Activity

December was a quiet month in terms of company-specific news flow as most companies avoid making important announcements over the holidays. To that end, the biggest contributor to performance during the month, Atlassian (+7.4%), increased on no material news. Likewise, the largest detractor to performance during the month was **Monster Beverage** (-14.4%), which also fell on no material news. It happens.

Meanwhile, Facebook stumbled through another couple of data scandals, though they are arguably a good deal smaller in scope than some of the prior high-profile issues. Suffice to say we’re disappointed, and we’re now at a point where we would support a separation of the CEO and Chairman’s roles at the company to improve corporate governance.

Still, despite the headaches and headlines, Facebook and its platforms are still major players in the fast-growing digital advertising market. The company has multiple growth levers at its disposal given the different stages of monetisation of its four platforms with 1-billion-plus monthly active users, a share price around 39% below its high, and strategic optionality with around 9.5% of its market capitalisation in net cash. At a time when the shares are deeply out of favour, we remain patient holders of this fast-growing, highly profitable, well capitalised business.

Looking Ahead

As always, thanks to all our investors for your time and trust. It’s still early days for the Fund but we’re pleased with our start and feel good about the long-term prospects of the portfolio of companies we’ve assembled. We’ve also been happy to put cash to work during these recent bursts of volatility and will continue to do so if opportunities present themselves.

Best Regards,

Joe Magyer, CFA
Chief Investment Officer

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